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9 December 1981  
NFAC# 8052

MEMORANDUM FOR: Director of Central Intelligence

VIA : Acting Chairman, National Intelligence Council<sup>v</sup>

FROM :  National Intelligence Council  
Analytic Group (83)

SUBJECT : Talking Points for your Meeting with the President's  
Economic Policy Advisory Board.

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The following three areas of Agency work should be of particular interest:

- Work on East-West Technology Transfer in support of the President's efforts to broaden and strengthen existing controls on the transfer of technology to the Soviet Union;
- The recent initiation of a major research effort on factors underlying the problem of declining US competitiveness; and
- A Global Economic Estimate aimed at providing a perspective on the risks and opportunities resulting from the changing global economic environment (to be completed in January).

East-West Technology Transfer

- A Special National Intelligence Estimate on the Dependence of Soviet Military Power on Economic Relations with the West was issued last month. In that assessment, it was shown that:
  - Soviet military programs are enhanced directly by acquisition of Western technology and are indirectly supported by gains from economic relations with the West which improve the efficiency of the Soviet economy.
  - The declining rate of growth of the Soviet economy will make Soviet dependence on Western technology important in the future, especially for their electronics, aerospace, and shipbuilding industries.

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- A second SNIE is underway to assess the attitudes of CoCOM members towards export controls and US efforts to strengthen CoCOM.
- At the same time, we are attempting to find better ways to measure the flow of such technology transfers.

US Competitiveness

- We are participating in a study of trends in high technology industries sponsored by the Cabinet Council on Commerce and Trade.
- We are laying out a program of long-term research in the area of industrial competitiveness which will focus on strategies of foreign firms and governments in key industrial sectors.
- Our research program will take several years to complete, but important parts will be available next year.

Global Economic Estimate

- In this assessment, we are looking at the implications of:
  - High unemployment, large budget deficits, and political paralysis in Western Europe as they relate to defense related matters and East-West trade.
  - The sagging price competitiveness of US goods through most of 1982.
  - Mounting pressure on Japan to hold down exports and open its domestic market. Tokyo could miscalculate the seriousness of US and European trade concerns leading to increased trade barriers against Japan and perhaps some retaliation.
  - Increased protectionist steps by the Mitterrand government after it finds that its efforts to stimulate economic activity at home are faltering.
  - A prolonged period of Soviet foreign financial stringencies after nearly a decade of surpluses.
  - A steady slide in the real price of oil and the problems it creates for oil-exporting countries and high-cost energy producers within oil-importing countries.
  - A favorable shift in LDC government attitudes toward private investment.
  - The significant rise in foreign direct investment in the United States, especially the opportunities that this trend provides to make foreign governments more inclined to treat US firms the same way in their market as their firms are treated in the United States.

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